

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED

AR79

fifth annual report

CED

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I look forward to your call

DEREK H. MATHER
VICE-PRESIDENT

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED
SUN LIFE BUILDING, MONTREAL
TELEPHONE: (514) 868-2764

“SEEK out creative men with the vision of things to be done. Help breathe life into new ideas and processes and products with money — and with more than money — with sensitive appreciation for creative drive; with support in management and manpower, with loyalty to the idea and to its initiator, the creative man.”

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED

Head Office: 966 Sun Life Building, Montreal, Canada

Telephone: 868-2764

Western Office: 914-1111 West Hastings Street, Vancouver, Canada

Telephone: 684-3271

BOARD OF DIRECTORS

Chairman and President,

HERBERT H. LANK,

Chairman of the Board, Du Pont of Canada Limited.

Chairman of the Executive Committee,

ALISTAIR M. CAMPBELL, F.I.A., F.S.A.,

President, Sun Life Assurance Company of Canada.

GEORGES F. DORiot, C.B.E., D.S.M., C.L.H.,

President, American Research and Development Corporation.

DONALD GORDON, C.M.G., D.C.L., LL.D.,

President, British Newfoundland Corporation Limited.

ROBERT M. FOWLER,

President, Canadian Pulp and Paper Association.

ALFRED T. SEEDHOUSE,

President, The Manufacturers Life Insurance Company.

JOSEPH JEFFERY, O.B.E., Q.C.,

Chairman of the Board, London Life Insurance Company.

DOUGLAS N. KENDALL, O.B.E., F.R.G.S.,

President, Kenting Limited.

BERNARD LECHARTIER,

Director, Bank of Montreal.

A. BRUCE MATTHEWS, C.B.E., D.S.O.,

Chairman of the Board, The Excelsior Life Insurance Company.

HON. M. WALLACE McCUTCHEON, P.C., C.B.E., Q.C.,

Chairman of the Board, The National Life Assurance Company of Canada.

GERALD D. SUTTON,

Vice President and General Manager,

Canadian Enterprise Development Corporation Limited.

OFFICERS

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Chairman of the Board and President

GERALD D. SUTTON,

Vice President and General Manager

DEREK H. MATHER,

Assistant Vice President and Secretary-Treasurer

TIMOTHY J. RYAN,

Assistant Vice President

NORMAN C. NAGY,

Staff Associate

DOUGLAS A. C. DAVIS,

Western Associate

WHAT IS CED?

CED — the initials are registered as the official abbreviation of the full name, Canadian Enterprise Development Corporation Limited — was formed in 1962 with a little over \$5 million of share capital by a group of foresighted institutional investors. A list of these shareholders is given on page 7.

Our purpose is to help creative individuals build companies of stature. We were not founded to buy “blue chips” but to assist in developing “blue chips” of the future.

A project in any industry or activity that plays a constructive part in the Canadian economy and that possesses attractive possibilities for growth can be considered. We feel it is particularly important to foster the establishment and growth of those companies which will keep pace with the rapid advances that are occurring elsewhere in the fields of technology, production, marketing and service. In the process, we hope the owners of the companies concerned, and the shareholders of CED, will experience the satisfaction of achievement and the financial rewards of enterprise.

We are prepared to:

Help create new companies based on new ideas, on old ideas with a new approach or on worthwhile experience from abroad.

Invest in established companies with promise of future growth.

Participate in developments or companies outside Canada where Canadian skills, ideas and experience are involved or which will contribute to the Canadian economy.

Co-operate with large corporations in the development of new products or ideas which may not fit into their particular line of business or where for other reasons it is felt that development can best be furthered in a separate company.

HOW DOES CED INVEST?

CED is a risk capital investor. We supply the junior financing and look to other institutions with which we cooperate to provide debt money on a secured basis.

There is no specific formula for financing projects. The form of investment is adapted to the individual requirements of the company. It may be through a subordinated note, preferred shares or common shares, but there must be an opportunity to share in the growth of the enterprise.

HOW MUCH WILL CED INVEST?

Any amount up to \$500,000 may be considered normal. However, it is important that sufficient capital be arranged to successfully launch a venture and if it is thought that an amount in excess of \$500,000 will be needed we may be interested as a partner with other companies or professional investors. If necessary, we will assist the company to obtain the additional capital desired.

DOES CED SEEK CONTROL?

No, not usually. The percentage of our ownership will be influenced by the relative amount of capital subscribed and the degree of risk involved. Most of our investments have been made on a minority basis.

WHAT OTHER ASSISTANCE CAN CED PROVIDE?

While representation on the Board of Directors is required, it is not CED's aim to manage companies. On the contrary, we seek to invest in men of integrity who will themselves provide the business leadership required to build successful, growing enterprises. But we are in a position to provide advice and help in many respects. We work actively with the principals of our affiliate companies on a continuous basis in return for an appropriate fee agreeable to all parties concerned.

Through the staff of CED, affiliate companies have access to each other, to our Board of Directors and to our shareholders and friends in Canada, the United States and overseas.

INTERNATIONAL RELATIONSHIPS

CED is modelled on *American Research and Development Corporation* of Boston, one of our founding shareholders (see page 12).

Both ARD and CED are shareholders of *European Enterprises Development Company, S.A.* (see page 13).

C.D.F.C. Holdings Limited, the Canadian subsidiary of Commonwealth Development Finance Company Limited, is a shareholder of CED. Formed in London in 1953 by leading institutions in the United Kingdom and Commonwealth countries, C.D.F.C. has helped to finance 90 projects and companies.

Technical Development Capital Limited of London, England, is another shareholder of CED. Organized in 1962 to perform the same functions in the United Kingdom as CED in Canada, it is a subsidiary of the Industrial and Commercial Finance Corporation Limited.

WHAT DOES CED LOOK FOR IN AN INVESTMENT?

When we make an investment we are essentially entering into a partnership. No partnership can be successful unless there is mutual confidence and respect among the partners and an agreement on policies and objectives. Thus we attach great importance to the principals involved in a company and their relationship to it or to the idea, invention or process in question. We like to meet the people concerned and get to know them as well as possible during the course of the investigation, and have them get to know us.

We look for the potential for substantial growth and the desire and capability of achieving it, recognizing that the upward path of growth is full of surprises and is seldom climbed quickly or easily.

Once an investment is made we like to have a close relationship with the principals of the company, working with them in charting its future course and overcoming the obstacles along the way.

HOW SHOULD A PROJECT BE SUBMITTED?

Prior to arranging a meeting, either in one of our offices or your home city, it is helpful if proposals can be accompanied by information about the products, people, facilities and financial records and projections, so that a clear understanding of the past history, present status and future prospects can be gained. We will state our degree of interest as promptly as we can. If, after investigation, we find we cannot see our way clear to investing in a project we may still be of assistance; it often happens that in the course of the investigation the solution which develops does not require participation by CED.

INSTITUTIONAL SHAREHOLDERS OF CED

Alliance Mutual Life Insurance Company
American Research and Development Corporation
Bank of Montreal
The Canada Life Assurance Company
Canada Permanent Mortgage Corporation
Canadian Pacific Railway Company
CDFC Holdings Limited
Confederation Life Association
Crédit Foncier Franco-Canadien
Du Pont of Canada Limited Pension Trust Fund
The Excelsior Life Insurance Company
The Great-West Life Assurance Company
The Hydro-Electric Power Commission of Ontario
The Imperial Life Assurance Company of Canada
Industrial Acceptance Corporation Limited
Industrial Life Insurance Company
The London Life Insurance Company
The Manufacturers Life Insurance Company
The Monarch Life Assurance Company
The Mutual Life Assurance Company of Canada
Nesbitt, Thomson and Company Limited
The Royal Trust Company
Succession Honorable J. Marcelin Wilson
Sun Life Assurance Company of Canada
Technical Development Capital Limited
The Toronto-Dominion Bank

FIFTH ANNUAL REPORT OF THE PRESIDENT TO OUR SHAREHOLDERS

CED has been in operation for a little over five years and it is appropriate at this stage to review briefly our experience. During this time we have invested \$4,621,306 in twenty-two companies. We have written off investments amounting to \$621,546 in four companies, after taking into consideration funds recovered. Included among them was Monomold Containers Limited, in which we had invested \$300,000 in the form of an unsecured note with warrants and which was written off in 1967 against the "Provision for possible losses" that had been established. While we do not like to have losses — we try our best to work out solutions to critical problems — they are bound to occur in view of the degree of risk associated with venture capital financing.

Offsetting this, we have realized capital gains on the sale of investments of \$539,122 and unrealized appreciation of other investments of \$840,869. Most of the realized gains occurred in 1967 from the sale of our investment in Cooper-Widman Limited to Buck River Lumber Company Limited, which is jointly controlled by Bowater's Canadian Paper Company Limited and Bathurst Paper Limited. The acquisition of Cooper-Widman by Buck River will enable the forest resources of the two companies to be developed on an integrated basis for maximum efficiency. In return for our investment of \$385,734, we received \$200,000 cash and \$632,535 in five year notes, half of which are guaranteed by Bowater's Canadian and half by Bathurst Paper.

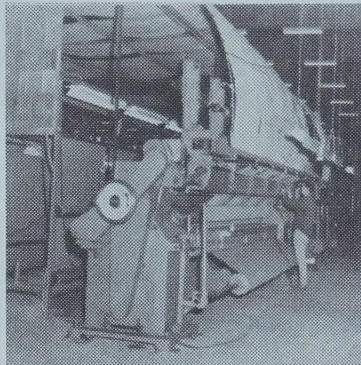
Most of the companies in our portfolio are still young and require a good deal of the time and support that, in addition to financial assistance, CED was established to provide. A few are emerging from the embryonic stage to one of early growth and development. During 1967, Pinnacle Petroleums Limited had a successful public offering of stock and the shares are now listed on the Toronto Stock Exchange. This is the first company in our portfolio to have achieved "listed" status.

In the light of these developments your directors discussed the question of whether, for a venture capital company, the traditional way of presenting the financial statement was sufficiently meaningful. After consultation with our auditors and consideration of various alternatives, it was decided that we should adopt the method that has been used by American Research and Development Corporation and that has found acceptance in the United States. Accordingly, the investments in portfolio companies are shown in the balance sheet at "market value or fair value as determined by the directors." Those securities with respect to which market quotations are readily available are valued at

market. The fair value of other investments is determined by the directors. I would point out, however, there is no assurance that upon disposition of any of the assets of the company such values will be realized.

The difference between value and cost, amounting to \$840,869, appears in the statement of Shareholders' Equity as "unrealized appreciation of investments" and its major components are shown in Note 1 to the financial statements. Figures for 1966 have been adjusted to conform with this method of presentation.

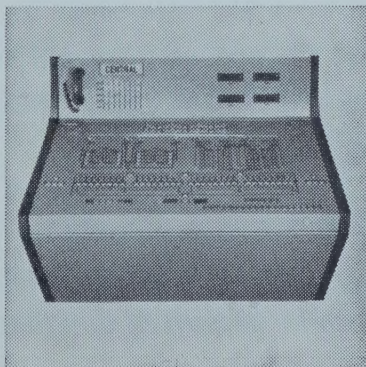
At a meeting held on March 6, 1968, Mr. Alfred T. Seedhouse, President of The Manufacturers Life Insurance Company, was elected a director, filling a vacancy created by the resignation of Mr. George L. Holmes. Mr. Holmes had served as a director of the company from its inception and, like all of our directors, maintained a close interest in its affairs. We will miss his counsel.



*Westmills
Carpets
Limited
carpet
tufting
machine*

Our venture investment activity in 1967 amounted to \$690,838. It will be noted from the General Manager's report that most of this was connected with companies in which we already had an investment. Two new companies were added to our portfolio. Many of our interesting projects have been referred to us by our shareholder organizations. Your support in this and other ways has been most helpful and encouraging to the directors and staff of CED. On their behalf, I would like to express our appreciation and at the same time urge you to continue to bring to our attention people who have the desire and competence to build a company and who need the assistance we can provide. I would also like to pay tribute to our staff who have been so active in the support of our portfolio companies and in seeking and analyzing new investment opportunities. The success of CED is dependent on their effort and judgement.

*Central
Dynamics
Limited
supervisory
control
system.*



PORTFOLIO COMPANIES

CENTRAL DYNAMICS LTD., Pointe Claire, Quebec.

Manufacturers of electro-mechanical components and electronic equipment, with promising new products in video switching apparatus and digital control systems.

CORNISH TIN IMPROVEMENTS LIMITED, Ottawa, Ontario.

A Canadian company formed to encourage the processing of tin mine tailings in Cornwall, England, using a new process developed by Geo-Met Reactors Limited.

EUROPEAN ENTERPRISES DEVELOPMENT COMPANY,
Luxembourg and Paris, France.

European venture capital company with objectives and policies similar to those of CED.

EVANGELINE SAVINGS AND MORTGAGE COMPANY,
Windsor, Nova Scotia.

New savings and loan company to serve the Maritime Provinces.

GEO-MET REACTORS LIMITED, Ottawa, Ontario.

Research and development company in metallurgical field; a subsidiary, Masterloy Products Limited, is the only Canadian producer of certain ferro-alloys.

GLASROCK PRODUCTS OF CANADA LIMITED,
Burlington, Ontario.

Distributor of refractory materials and products including fused silica products for use in the continuous casting of steel and in the glass, metal forming and aero space industries.

GREAT NORTHERN AIRWAYS LIMITED, Calgary, Alberta.

Operates scheduled air service in the Yukon Territory and extending up into the Arctic Islands. In addition provides charter services from Calgary and a number of points in the Yukon.

HOUSTON SCHMIDT LIMITED, Toronto, Ontario.

Manufacturer of microwave drying equipment for industrial processes and "Levitron" air rolls for the support and transport of thin film materials.

THE MORTGAGE INSURANCE COMPANY OF CANADA,
Toronto, Ontario.

New company established by Act of Parliament to provide partial insurance coverage on conventional residential mortgages.

NORTHERN PLYWOODS LIMITED, Nipigon, Ontario.

Manufacturer of poplar plywood.

PINNACLE PETROLEUMS LIMITED, Calgary, Alberta.

Petroleum exploration and development company.

QUEBEC TERMINALS LIMITED, Quebec City, Quebec.

Transportation company engaged in stevedoring, shipping agency business and the bulk trucking of commodities.

STEDFAST SCREW COMPANY LTD., Montreal, Quebec.

New company established to manufacture specialty fasteners for electronic, furniture and other industries.

SEATTLE CABLEVISION INC., Seattle, U.S.A.

Company to establish a community antenna cable T.V. system in central Seattle as the first phase in the development of an international service and manufacturing enterprise.

STEEL BROTHERS CANADA LIMITED, Vancouver, B.C.

Manufacturer and distributor of industrial minerals and building materials.

TAYLOR-SMITH MANUFACTURING CO. LTD., Vancouver, B.C.

Company formed to develop new automatic machine to produce concrete building blocks with impregnated facings of stone, quartz, shells or other desired materials.

TRANS PACIFIC LEASING SERVICES LTD., Vancouver, B.C.

Company specializing in financial lease and purchase arrangements on equipment.

WESTMILLS CARPETS LIMITED, Kelowna, B.C.

New company to manufacture tufted carpets for the western Canadian market.

AMERICAN RESEARCH AND DEVELOPMENT CORPORATION

ARD was formed in 1946 with an initial capital of \$3.4 million and has since participated in the development of approximately 100 companies. At the end of 1967 it had investments in 46 companies valued at \$344 million, covering a variety of industries including electronics, pharmaceuticals, publishing, industrial control systems, optics, chemicals and farm equipment. The four largest holdings at the end of 1967 were in Digital Equipment Corporation, Optical Scanning Corporation, Teledyne Incorporated and Ionics Incorporated. In 1961 ARD became the first company of its kind to have its shares listed on the New York Stock Exchange.

Board of Directors of ARD

GEORGE P. BAKER
*Dean, Harvard University Graduate School of Business
Administration*

GENE K. BEARE
President, Sylvania Electric Products Inc.

ALISTAIR M. CAMPBELL
President, Sun Life Assurance Company of Canada

GEORGES F. DORIOT
President, American Research and Development Corporation

BYRON K. ELLIOTT
Chairman, John Hancock Mutual Life Insurance Company

LONGSTREET HINTON
*Chairman, Committee on Trust Matters and Director
Morgan Guaranty Trust Company of New York.*

M. C. KAPLAN
President, Starwood Corporation

DAVID L. LUKE
Director, West Virginia Pulp and Paper Company

JOHN A. LUNN
Director, The Kendall Company

DWIGHT P. ROBINSON, JR.
Member of Advisory Board, Massachusetts Investors Trust

ROBERT E. SLATER
President, John Hancock Mutual Life Insurance Company

RUPERT C. THOMPSON, JR.
Chairman, Textron Inc.

Officers and Staff

GEORGES F. DORIOT, *President*

HENRY W. HOAGLAND, *Senior Vice President*

WILLIAM H. CONGLETON, *Senior Vice President*

DOROTHY E. ROWE, *Vice President and Treasurer*

JOHN A. SHANE, *Vice President*

OSCAR W. HAUSSERMANN, *Secretary*

JAMES F. MORGAN, *Assistant Vice President*

SAMUEL W. BODMAN, III, *Technical Director*

Southwestern Correspondent,
GROVER ELLIS, JR., 233 Bryn Mawr Circle,
Houston, Texas 77024.

California Correspondent,
ROBERT E. RHODES, 691 South Orange Grove,
Pasadena, California 91105.

EUROPEAN ENTERPRISES DEVELOPMENT COMPANY,
E.E.D., S.A.

66, Avenue Kléber, Paris 16, France
37, rue Notre-Dame, Luxembourg

EED was organized in 1963 with objectives and policies similar to those of ARD and CED. At the end of 1967 EED had total assets of \$6,350,000 and had invested in ten companies located in six countries and engaged in the manufacture of electro-medical equipment, hydraulic shears, building materials, compact computers, auto-copying paper, electron beam welding machines, as well as in a magazine (Nucleus) and a consulting firm. EED's main office is in Paris, but through its shareholder institutions it has representatives throughout Europe.

Institutional Stockholders

AB Duba, Stockholm
AB Hindus, Stockholm
AB Nordiska Föreningsbanken, Helsinki
AB Trustee, Stockholm
AB Vectura, Stockholm
American Research and Development Corporation, Boston
Amsterdam-Rotterdam Bank N.V., Rotterdam
Andresens Bank Folke-Realbanken AS, Oslo
Banca Commerciale Italiana, Milan
Banco Español de Credito, Madrid
Banco Fonsecas & Bernay, Lisbon
Banco Guipuzcoano, San Sebastien
Bankhaus I.D. Herstatt K.G.a.A., Cologne
Banque Nationale de Grèce, Athens
Banque Nationale de Paris, Paris
Banque Worms & Cie, Paris
Bergens Privatbank, Bergen
Canadian Enterprise Development Corporation Ltd., Montreal
Commerzbank AG, Dusseldorf
Compagnie Bancaire S.A., Paris
Compagnie de Gestion Mobilière, COGEMO S.A., Luxembourg
Continental International Finance Corporation, Chicago
Crédit Lyonnais, Lyon
Crédit du Nord, Lille
Crédit Suisse, Zurich
Den Danske Landmandsbank AS, Copenhagen
Den norske Creditbank, Oslo
Desclée Frères & Cie, Tournai
Dresdner Bank AG, Frankfurt
Istituto Mobiliare Italiano, Rome
Investeringsmaatschappij voor Onafhankelijke Ondernemingen, INVESTCO S.A., Antwerp
Kredietbank S.A. Luxembourgeoise, Luxembourg
Kuhn, Loeb & Co., New York
Lehman Brothers, New York
Lombard, Odier & Cie, Geneva
Mees & Hope, Rotterdam
Midland Bank Ltd., London
Morgan Guaranty International Finance Corporation, New York
Samuel Montagu & Co. Ltd., London
Shawmut International Corporation, Boston
Società d'Affari Mobiliari, SAMO S.A., Lugano
Société Générale, Paris
The Fidelity International Company, Philadelphia
Union Financière d'Anvers, BUFA, S.A., Antwerp

Directors

LOUIS ARMAND
Membre de l'Académie Française, Paris
Honorary President, Société Nationale des Chemins de Fer Français and Euratom
THIERRY BARBEY
Partner, Lombard, Odier & Cie, Geneva
CARLO BOMBIERI
Managing Director, Banca Commerciale Italiana, Milan
GUY BROCARD
Partner, Banque Worms & Cie, Paris
FERNAND COLLIN
Chairman, Kredietbank S.A., Brussels
GEORGES F. DORiot
President, American Research and Development Corporation, Boston
HEINRICH JAKOPP
Konsul, Dr. Ing. e.h, Cologne
CHRISTIAN F. KARSTEN
Managing Director, Amsterdam-Rotterdam Bank N.V., Rotterdam
FREDERICK E. NOLTING, JR.
Vice President, European Offices, Morgan Guaranty Trust Company, Paris
MAURICE SCHLOGEL
General Manager, Crédit Lyonnais, Paris
ARNAUD F. de VITRY
Chairman, Technical Studies, Inc., New York

Officers and Staff

GEORGES F. DORiot
President
ARNAUD F. de VITRY
Vice President
JEAN GUÉROULT
General Manager
BRUNO ROUX de BÉZIEUX
Manager
ALAIN M. RONDEST
Staff Associate
THEO VAN DOMMELEN
Staff Associate
LISTER VICKERY
Staff Associate
PHILIPPE de VENDEUVRE
Marketing Assistant

REPORT OF THE GENERAL MANAGER

During the year, \$296,501 was received in cash from repayments or the sale of investments, and a total of \$690,838 was invested in six portfolio companies and two projects, as follows:

Additional Investments in Portfolio Companies:

Central Dynamics Ltd. (Pointe Claire, P.Q.)

\$67,947 in common shares.

Houston Schmidt Limited (Toronto, Ont.)

\$65,000 in notes.

The Mortgage Insurance Company of Canada (Toronto, Ont.)

\$60,000 in common shares, representing a further call on our total commitment of \$500,000. Our investment in this company now amounts to \$360,000.

Quebec Terminals Limited (Quebec City, P.Q.)

\$125,000 in convertible preferred stock. This investment was part of a broad program to raise additional capital for Quebec Terminals in order to enable it to acquire ownership of A. G. Baker Ltd., of Quebec City, and Baptist Transport Ltd., of Trois-Rivières.

Stedfast Screw Company Limited (Montreal, P.Q.)

\$20,000 in notes.

Westmills Carpets Limited (Kelowna, B.C.)

\$75,000 in a debenture and \$92,891 in preferred and common shares.

New Portfolio Companies Financed During 1967:

Great Northern Airways Ltd. (Calgary, Alberta)

\$175,000 in a convertible note. Great Northern Airways operates a scheduled service in the Yukon Territory and extending up into the Arctic islands. In addition, it operates charter services from Calgary, Alberta, and from a number of points in the Yukon. Our investment enabled the company to acquire additional aircraft in order to expand the scope of its operations.

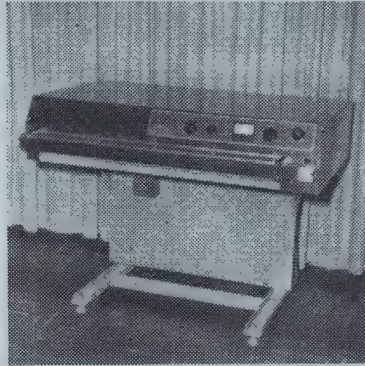
Glasrock Products of Canada Limited (Burlington, Ontario)

\$10,000 in common shares. This company is a newly created subsidiary of Glasrock Products Inc., of Atlanta, Georgia, a company which has developed proprietary methods of making fused silica products that are finding increasing application in the steel, glass, metal forming and aero-space industries. American Research and Development is an investor in Glasrock Products Inc., and CED was invited to participate in the formation of the Canadian company. It is expected that additional capital will be required for the Canadian company as the market for Glasrock products develops in Canada.

There was no net addition to the number of staff in 1967, but there were a number of changes. Mr. Derek H. Mather, formerly Assistant Vice President and Treasurer, was made Assistant Vice President and Secretary-Treasurer. Mr. Timothy J. Ryan was appointed an Assistant Vice President, resident in Vancouver, and Mr. Douglas Davis joined our Vancouver office as Western Associate.

A list of our portfolio companies as at December 31, 1967 is included on page 10 together with a brief description of their activities. We believe they have interesting prospects. They also have problems of one kind or another — how or when to take the next step forward, how

to attract an experienced man to a small company, how to increase market penetration, how to stop from sliding back or even how to survive. As companies mature they are able to acquire a range of indigenous skills and while they will always have problems they should have a built-in capacity to solve most of them. Since few of our companies have yet reached this stage we ourselves are faced with a continuously shifting variety of challenges which demand much of the time of the staff.



*Houston
Schmidt
Limited
micro wave
"Edge
Dryer".*

This is one of CED's functions. The other is to search for and examine new opportunities and select those that appear to have considerable promise. In this respect it has been our experience that there is no lack of good ideas in Canada. Nevertheless, an idea remains just that unless there are people involved who have the desire and capability to build a company. The two are essential ingredients. They are not commonly found together, however, and the most important task in venture capital financing is to find such a combination or if possible assemble it. When we make an investment, it is in the belief that the two are present. Only in the course of time, however, will we know.

*Great
Northern
Airways
taking off in
the Yukon*



CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED
SOCIÉTÉ CANADIENNE DE DÉVELOPPEMENT DES ENTREPRISES
LIMITÉE

(Incorporated under the Canada Corporations Act)

BALANCE SHEET AS AT DECEMBER 31, 1967

	ASSETS	
	1967	1966
Current:		
Cash.....	\$ 4,882	\$ 39,152
Short-term investments, at cost which approximates market.....	1,585,479	2,021,657
Accrued revenue and miscellaneous receivables.....	111,706	15,231
	<u>1,702,067</u>	<u>2,076,040</u>
Investments at market value or fair value as determined by the directors (note 1)....	4,703,170	3,021,298
Furniture and equipment at cost, less accumulated depreciation.....	8,387	9,482
	<u>\$6,413,624</u>	<u>\$5,106,820</u>

	LIABILITIES	
Current:		
Accounts payable and accrued expenses	\$ 15,123	\$ 16,926

	SHAREHOLDERS' EQUITY	
Common stock (note 4)		
Authorized — 50,000 shares of no par value		
Issued — 27,699 shares (including 201 shares issued for cash in 1967).....	5,541,082	5,500,723
Retained earnings.....	98,974	125,025
Accumulated realized net losses on investments.....	(82,424)	(536,490)
Unrealized appreciation of investments.....	840,869	636
	<u>6,398,501</u>	<u>5,089,894</u>
	<u>\$6,413,624</u>	<u>\$5,106,820</u>

On behalf of the Board:

Hebert H. Lank, *Director*.

Gerald D. Sutton, *Director*.

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED
SOCIÉTÉ CANADIENNE DE DÉVELOPPEMENT DES ENTREPRISES
LIMITÉE

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1967

	1967	1966
Income:		
Income from short-term investments.....	\$126,844	\$125,121
Income from long-term investments, including consulting fees.....	96,679	76,445
	<u>223,523</u>	<u>201,566</u>
Expenses: (note 2)		
Salaries.....	118,514	115,669
Other expenses.....	117,810	127,473
	<u>236,324</u>	<u>243,142</u>
	<u>(12,801)</u>	<u>(41,576)</u>
Loss on sale of short-term investments.....	13,250	1,528
Net loss for the year.....	<u>(\$ 26,051)</u>	<u>(\$ 43,104)</u>

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1967

Retained earnings at beginning of year.....	\$125,025	\$171,157
Prior years' income tax.....	—	3,028
	<u>125,025</u>	<u>168,129</u>
Net loss for the year.....	26,051	43,104
Retained earnings at end of year.....	<u>\$ 98,974</u>	<u>\$125,025</u>

STATEMENT OF GAINS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 1967

Accumulated realized net losses at beginning of year.....	\$536,490	\$ 70,879
Realized losses for the year.....	—	557,933
	<u>536,490</u>	<u>628,812</u>
Less: Realized gains for the year.....	454,066	92,322
Accumulated realized net losses at end of year.....	<u>\$ 82,424</u>	<u>\$536,490</u>

NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 1967

- The investments at December 31, 1967 are recorded at market value or fair value as determined by the directors whereas in prior years they were recorded at cost; the unrealized appreciation of investments has been included in shareholders' equity. This change had no effect on the net loss for the year. The investments comprise the following:

	<u>1967</u>		<u>1966</u>	
	<u>Cost</u>	<u>Market Value or Fair Value</u>	<u>Cost</u>	<u>Market Value or Fair Value</u>
Investments				
Quoted shares.....	\$ 229,050	\$1,403,250	\$ 95,050	\$ 96,850
Unquoted shares.....	1,926,540	2,087,034	1,631,436	1,595,548
Loans and advances	1,706,711	1,212,886	1,294,176	1,328,900
	<u>\$3,862,301</u>	<u>\$4,703,170</u>	<u>\$3,020,662</u>	<u>\$3,021,298</u>

The investments include an investment in a company in which Canadian Enterprise Development Corporation Limited own more than 50% of the shares (cost \$298,000). The reason why the accounts of this company are not consolidated with the financial statements of Canadian Enterprise Development Corporation Limited is that the company is an operating company whereas Canadian Enterprise Development Corporation Limited is an investment company. The losses of the operating company since majority ownership was acquired have been fully provided for.

- The expenses include:

	<i>1967</i>	<i>1966</i>
Directors' remuneration, including salary to a director who is also a company officer.....	\$34,600	\$35,050
Depreciation.....	2,097	2,370
- The company is contingently liable as guarantor of loans totalling \$208,900 (1966 — \$371,400).
- Options have been granted to certain employees to purchase a total of 300 common shares of the company at a price of \$200.87 each and options on 200 of such shares have been exercised.
- Certain of the 1966 figures have been restated to make them comparable with the 1967 presentation.

AUDITORS' REPORT

The Shareholders,
Canadian Enterprise Development Corporation Limited —
Société Canadienne de Développement des Entreprises Limitée.

We have examined the balance sheet of Canadian Enterprise Development Corporation Limited — Société Canadienne de Développement des Entreprises Limitée as at December 31, 1967 and the statements of income, retained earnings, and gains and losses for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. It was not practicable for us to substantiate the values, determined by the Board of Directors of the Company, for certain investments for which market quotations are not available.

In our opinion, subject to the determination of the values referred to above, these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied, except for the change in the method of recording investments as outlined in Note 1, on a basis consistent with that of the preceding year.

TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants.

Montreal, Que.
February 23, 1968

CED